FINANCIAL ink
Your Money Management Newsletter

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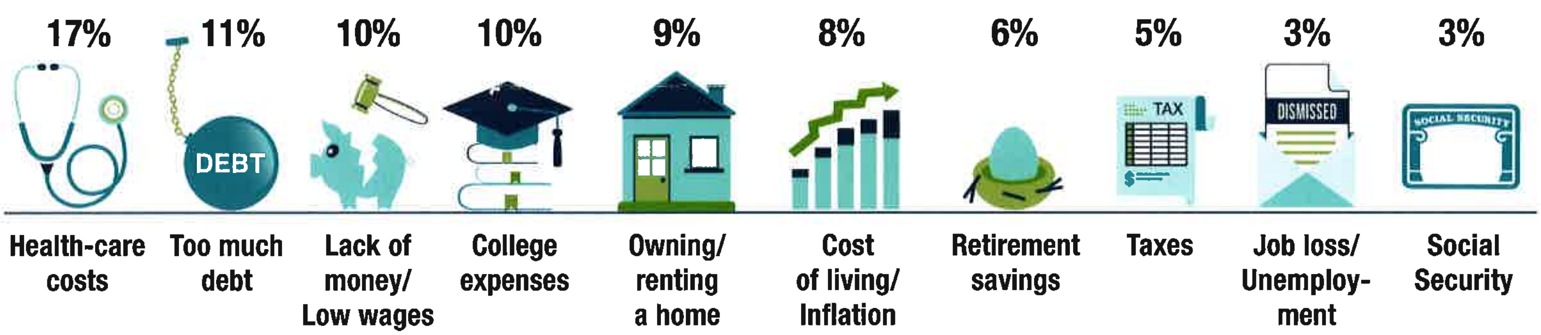
Health Care Tops Financial Concerns

In mid 2017, 17% of Americans cited health-care costs as the top financial problem facing their families. This was the highest percentage since before the recession, when more fundamental financial problems, such as low wages, not having enough money, and unemployment, took precedence. Concern over these issues has eased with the improving economy, while rising health-care costs and the national debate over health-care policies have pushed the topic to the forefront.

Percentage of Americans who cited the following as the most important financial problem facing their families



Source: Gallup, 2017

Estimated amount needed to repair and upgrade U.S. infrastructure such as roads, dams, airports, and water and electrical systems, according to the American Society of Civil Engineers. Federal agencies and trade groups project somewhat lower expenditures, but there is general agreement that U.S. infrastructure requires large-scale spending.

Source: CNNMoney, March 9, 2017

Practical insights for your **FINANCIAL GOALS**

Consider a Roth for Tax-Free Retirement Income

Contributing to a traditional IRA or an employer-sponsored retirement plan may offer a current-year tax benefit by reducing taxable income. However, distributions — including any earnings — are taxed as ordinary income.

By contrast, contributions to a Roth IRA or a designated Roth account in an employer retirement plan do not reduce current income, but qualified withdrawals — including any earnings — are generally free of federal income tax as long as they meet certain conditions. Moreover, contributions to a Roth IRA (but not earnings) can be withdrawn tax-free and penalty-free at any time, for any reason.

Repositioning Your Savings

If you have a traditional IRA but prefer the advantages of a Roth, you can open a Roth IRA and make contributions to either or both accounts, subject to the combined annual contribution limit.

You could also convert all or part of your traditional IRA assets to a Roth IRA. Contributions to an employer's retirement plan can be converted to a designated Roth account if in-plan conversions are allowed.

Conversions of assets to a Roth account are subject to federal income tax in the year of conversion. Under current tax law and if all conditions are met, the Roth account will incur no further income tax liability for the rest of your lifetime, or for the lifetimes of your designated beneficiaries, regardless of any account growth.

The prospect of a substantial tax bill can be daunting, but paying taxes now may be a worthwhile tradeoff for potential tax-free earnings growth and tax-free income in retirement. And because you do not have to take required minimum distributions (RMDs) from a Roth IRA, you have more flexibility when taking withdrawals.

To make the tax liability of a Roth conversion more manageable, you could spread out smaller conversio over several years. If you change your mind, you can reverse a Roth IRA conversion through recharacterization, generally by October 15 of the year following the tax year of the conversion. You cannot recharacterize an in-plan conversion of assets in an employer-sponsored plan.

Contribution and Distribution Rules

Eligibility to contribute to a Roth IRA phases out at higher income levels. (Income limits also apply for tax-deductible contributions to a traditional IRA if you're an active participant in an employer plan.) IRA contributions for 2017 can be made up to the April 2018 tax filing deadline; however, employer-plan contributions and Roth IRA conversions for 2017 must be made by December 31.

To qualify for a tax-free and penalty-free withdrawal of earnings, distributions from a Roth IRA or a Roth employer plan account must meet a five-year holding requirement and take place after age 59½ (with some exceptions). The earnings portion of a nonqualified distribution is subject to ordinary income tax and a 10% tax penalty, unless an exception applies.

Assets converted to a Roth IRA can be withdrawn tax-free at any time, but amounts taxed at the time o. conversion must meet a five-year holding period for each conversion; if not, withdrawals may be subject to a 10% penalty unless you're age 59½ or another exception applies.

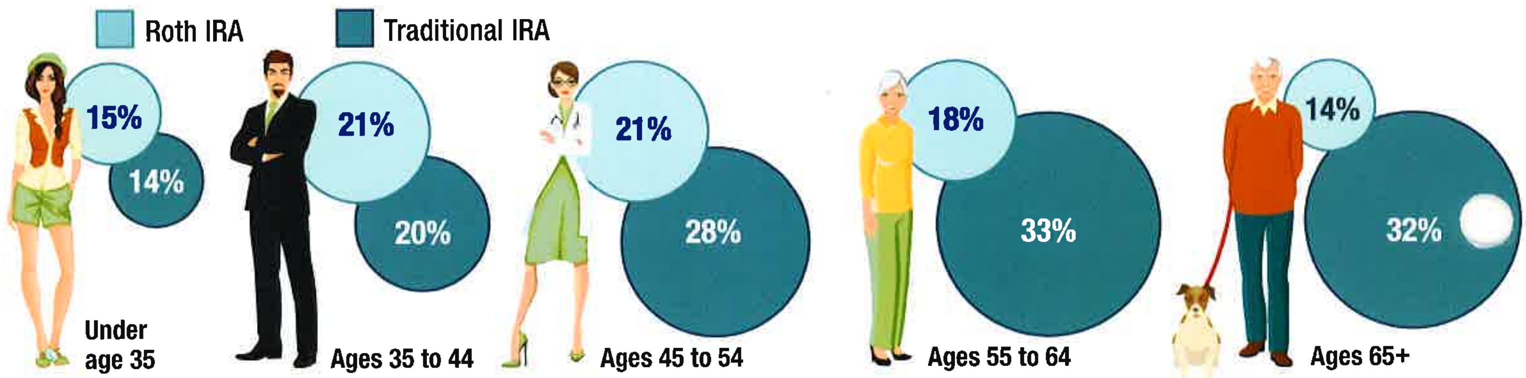
RMDs from traditional IRAs and employer-sponsored retirement plans (including Roth accounts) must start in the year you turn 70½. Beneficiaries of all IRAs and employer plans generally must start taking RMDs in the year after the original account owner's death.

It may be wise to consult a tax professional regarding Roth conversions, recharacterizations, and distributions.

Appealing to Younger Savers

Young people who have a long investment horizon may be more attracted to potential tax-free growth and flexible distributions than to a current-year tax benefit. Still, investors of any age might find tax-free income from a Roth to be appealing.

Household IRA ownership, by age of head of household (many households have both types of IRAs)



Source: Investment Company Institute, 2017

Market Measures: Beyond the Dow

When you hear that the market is up or down — on the car radio or around the water cooler — what does that really mean? More often than not, it reflects movement in the two most well-known stock market indexes, the Dow Jones Industrial Average and the Standard & Poor's 500, which tend to move more or less in sync.

In fact, there are hundreds of indexes that track various categories of investments. Here are a few that are commonly cited and may be used as benchmarks for investments you own or are considering.

Dow Jones Industrial Average® — tracks stocks of 30 large, well-known U.S. companies across a variety of business sectors. Originally a true average of stock prices, it now uses a divisor to adjust for stock splits, distributions, and substitutions — making it a *price-weighted index* rather than a true average.[1]

Unlike the Dow, the following indexes are weighted based on *market capitalization*, the value of a stock's outstanding shares. Market-cap-weighted indexes tend to be skewed toward the performance of the larger companies in the index.

S&P 500® — tracks a much broader range of large U.S. companies (large caps) than the Dow and is often considered representative of the U.S. stock market in general. However, it does not capture midsize companies (mid caps) or small companies (small caps), which carry higher risk and higher growth potential than large companies and are tracked by the S&P MidCap 400® and S&P Small Cap 600®, respectively. The number of stocks in S&P indexes may vary slightly from the number indicated in the name.[2]

Nasdaq Composite Index® — represents more than 2,500 equities traded on the Nasdaq Stock Market. The Nasdaq Composite includes technology companies of all sizes and a variety of smaller companies, and comprises both U.S. and foreign stocks. In general, its components tend to carry higher growth potential but greater risk than the large domestic stocks tracked by the Dow and the S&P 500.[3]

Russell 2000® Index — tracks stocks of the 2,000 smallest companies in the Russell 3000® Index (the Russell 1000® Index tracks the 1,000 largest). The Russell 2000 is the most widely used benchmark for U.S. small-cap stocks.[4]

Wilshire 5000 Total Market Index℠ — tracks the performance of all U.S. stocks with readily available price data, and thus is the broadest measure of the U.S. stock market. When established in 1974, the index was composed of around 5,000 stocks. It grew to more than 7,500 stocks in 1998, but since then has dropped steadily, largely due to corporate consolidation; the index included about 3,600 stocks as of mid 2017.[5]

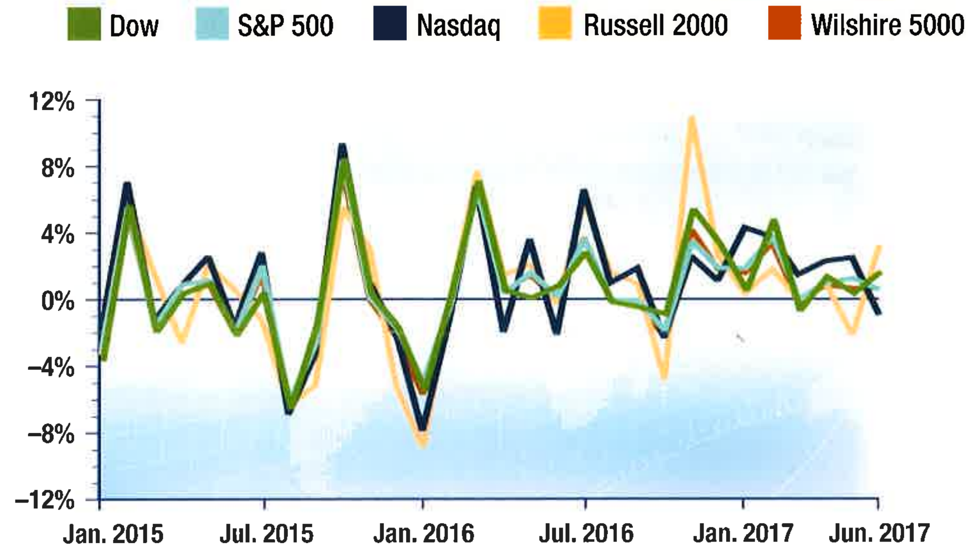
The performance of an unmanaged index is not indicative of the performance of any specific security, and individuals cannot invest directly in an index. Past performance is not a guarantee of future results. Actual results will vary.

All investments are subject to market fluctuation, risk, and loss of principal. Shares, when sold, may be worth more or less than their original cost. Investing internationally carries additional risks such as differences in financial reporting, currency exchange risk, as well as economic and political risk unique to the specific country. This may result in greater share price volatility.

1–2) S&P Dow Jones Indices, 2017
3) Nasdaq, 2017
4) FTSE Russell, 2017
5) Wilshire, 2017

Five Faces of Performance

Monthly index performance for the 30-month period ending June 2017



Source: Thomson Reuters, 2017, Dow Jones Industrial Average Price Index, S&P 500 Composite Price Index, Nasdaq Composite Index (price), Russell 2000 Price Index, and Wilshire 5000 Total Market Price Index for the period 12/31/2014 to 6/30/2017. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Past performance is not a guarantee of future results. Rates of return will vary over time, particularly for long-term investments. Actual results will vary.

Celebrate the Season — and Keep Records

Many Americans turn their thoughts to charity during the winter holidays. Giving helps celebrate the season and might also provide an end-of-year tax deduction.

While charity is noble regardless of tax consequences, remember that you can deduct your contributions only if you itemize deductions. Whether it is beneficial to itemize or take the standard deduction will typically depend on your filing status, income level, and other deductible expenses.

Consider these points if you plan to include charitable contributions in your itemized deductions for 2017.

Vet your charity. Make sure the charity is a qualified charitable organization under IRS rules. If you have doubts, you can search the IRS database at ***irs.gov/Charities-&-Non-Profits/Exempt-Organizations-Select-Check***. You may also want to learn more about the charity's operations, including the percentage of contributions that go toward charitable work versus administration and fundraising expenses.

Keep written records. All cash contributions require a receipt or financial record (such as a cancelled check or credit card statement), but contributions of $250 or more require a specific written statement from the organization or an appropriate payroll deduction record. Documentation for noncash contributions depends on the amount of the deduction, with progressively more rigorous requirements at thresholds of $250, $500, $5,000, and $500,000.

Account for benefits. If you receive a benefit as part of your contribution, you must deduct the fair market value of the benefit from your charitable contribution. A qualified organization must provide a written statement for any payment exceeding $75 that is partly a contribution and partly for goods or services. You typically do not have to reduce your contribution for "token items" and certain membership benefits for payments of $75 or less.

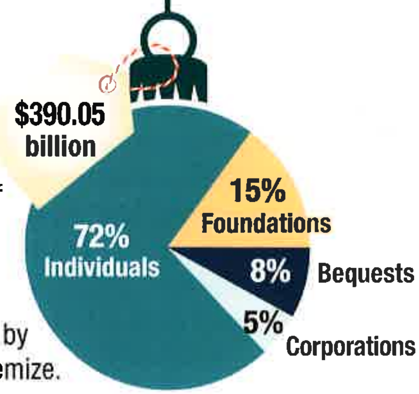
Understand volunteer deductions. You cannot deduct the value of your time or services when volunteering for a charitable organization. However, you can deduct unreimbursed out-of-pocket expenses, such as supplies for a fundraiser, with specific documentation required for unreimbursed expenses of $250 or more. You may also deduct vehicle expenses directly related to serving a charitable organization, using actual expenses or a 2017 rate of 14¢ per mile.

IRS rules for charitable contributions can be complex, and these are only basic guidelines. Before you take any specific action, be sure to consult your tax professional.

Source: Internal Revenue Service, 2017

Individual Donors Carry the Load

Total charitable giving reached a record level in 2016, with almost three out of four charitable dollars coming from individuals. Individual giving rose by 4.0% for those who itemized deductions and by 3.4% for those who did not itemize.



Source: Giving USA 2017, Giving USA Foundation

Are you taking full advantage of opportunities for tax-advantaged retirement savings? Call us for an appointment today.

Working toward a better financial future,